



OHIO AUDITOR OF STATE
KEITH FABER



**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Maumee City School District
Lucas County
716 Askin Street
Maumee, Ohio 43537-3602

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maumee City School District, Lucas County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 3A to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 12D to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion and analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 29, 2021

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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The management's discussion and analysis of the Maumee City School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2020, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The total net position of the District increased \$1,775,418 or 20.93% from fiscal year 2019's restated net position.
- General cash receipts accounted for \$34,117,146 or 87.43% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,905,237 or 12.57% of total governmental activities cash receipts.
- The District had \$37,246,965 in cash disbursements related to governmental activities; \$4,905,237, of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) and entitlements not restricted of \$34,117,146 were adequate to provide for these programs.
- The District's major funds are the general fund and debt service fund. The general fund had cash receipts and other financing sources of \$32,552,147 in 2020. The cash disbursements and other financing uses of the general fund, totaled \$31,197,272 in 2020. The general fund's cash balance increased \$1,354,875 from 2019 to 2020.
- The debt service fund had cash receipts and other financing sources of \$2,574,142 in 2020. The cash disbursements of the debt service fund totaled \$2,620,275 in 2020. The debt service fund's cash balance decreased \$46,133 from 2019 to 2020.

Using this Modified Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

The statement of net position - modified cash basis and statement of activities - modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - modified cash basis and the statement of activities - modified cash basis answer the question, "How did we do financially during 2020?" These statements include *only net position* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

These two statements report the District's net position and changes in that position on a modified cash basis. This change in net position is important because it tells the reader that, for the District as a whole, the modified cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of net position - modified cash basis and the statement of activities - modified cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has no fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Government-Wide Financial Analysis

Recall that the statement of net position - modified cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. Net position at June 30, 2019 has been restated due to the implementation of GASB Statement No. 84.

| | Change in Net Position | |
|---------------------------------------|---|---|
| | Governmental Activities <u>2020</u> | Restated Governmental Activities <u>2019</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and investments | \$ 10,258,172 | \$ 8,482,754 |
| Total assets | <u>10,258,172</u> | <u>8,482,754</u> |
| <u>Net Position</u> | | |
| Restricted | 3,264,523 | 2,822,999 |
| Unrestricted | <u>6,993,649</u> | <u>5,659,755</u> |
| Total net position | <u>\$ 10,258,172</u> | <u>\$ 8,482,754</u> |

The total net position of the District increased \$1,775,418, which represents a 20.93% increase from fiscal year 2019. The increase is due primarily to an increase in property tax receipts in fiscal year 2020.

The balance of government-wide unrestricted net position of \$6,993,649 may be used to meet the government's ongoing obligations to citizens and creditors.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2020 and 2019. Net position at June 30, 2019 has been restated due to the implementation of GASB Statement No. 84.

| | Change in Net Position | |
|------------------------------------|-------------------------------|----------------------------|
| | Governmental | Restated |
| | Activities | Governmental Activities |
| | <u>2020</u> | <u>2019</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 1,502,591 | \$ 1,655,435 |
| Operating grants and contributions | 3,377,646 | 3,137,593 |
| Capital grants and contributions | <u>25,000</u> | <u>1,028,155</u> |
| Total program cash receipts | <u>4,905,237</u> | <u>5,821,183</u> |
| General cash receipts: | | |
| Property and other taxes | 25,316,088 | 24,293,641 |
| Unrestricted grants | 8,599,644 | 9,382,498 |
| Investment earnings | 123,341 | 111,337 |
| Other | <u>78,073</u> | <u>105,779</u> |
| Total general cash receipts | <u>34,117,146</u> | <u>33,893,255</u> |
| Total cash receipts | <u>39,022,383</u> | <u>39,714,438</u> |

- Continued

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

| | Change in Net Position (Continued) | |
|---|---|----------------------------|
| | Governmental | Restated |
| | Activities | Governmental Activities |
| | <u>2020</u> | <u>2019</u> |
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | \$ 15,290,460 | \$ 15,375,712 |
| Special | 3,519,644 | 3,432,081 |
| Vocational | 229,811 | 225,417 |
| Adult/continuing | 10,660 | 11,994 |
| Other | 618,216 | 761,172 |
| Support services: | | |
| Pupil | 2,132,263 | 1,815,397 |
| Instructional staff | 523,219 | 500,476 |
| Board of education | 32,048 | 59,391 |
| Administration | 3,321,779 | 3,168,909 |
| Fiscal | 853,629 | 811,072 |
| Business | 78,883 | 116,588 |
| Operations and maintenance | 3,288,521 | 3,346,140 |
| Pupil transportation | 1,016,604 | 1,051,611 |
| Central | 842,856 | 871,979 |
| Operation of non instructional services: | | |
| Other non-instructional services | 486,676 | 638,484 |
| Food service operations | 756,117 | 814,177 |
| Extracurricular | 1,091,142 | 1,198,361 |
| Facilities acquisition and construction | 563,496 | 1,691,435 |
| Debt service: | | |
| Principal retirement | 759,995 | 1,895,000 |
| Interest and fiscal charges | 665,941 | 689,633 |
| Accreted interest on capital appreciation bonds | <u>1,165,005</u> | <u>-</u> |
| Total cash disbursements | <u>37,246,965</u> | <u>38,475,029</u> |
| Change in net position | 1,775,418 | 1,239,409 |
| Net position at beginning of year (restated) | <u>8,482,754</u> | <u>7,243,345</u> |
| Net position at end of year | <u>\$ 10,258,172</u> | <u>\$ 8,482,754</u> |

Governmental Activities

Governmental net position increased by \$1,775,418 in fiscal year 2020 over fiscal year 2019. The increase is mainly due to an increase in property tax receipts. Total governmental cash disbursements of \$37,246,965 were offset by program cash receipts of \$4,905,237 and general cash receipts of \$34,117,146. Program receipts supported 13.17% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipt sources represent 86.91% of total governmental cash receipts. Real estate property is reappraised every six years.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The statement of activities - modified cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements. Amounts at June 30, 2019 have been restated due to the implementation of GASB Statement No. 84.

| | Governmental Activities | | | |
|---|--------------------------------|----------------------|----------------------|----------------------|
| | Total Cost of | Net Cost of | Restated | Restated |
| | Services | Services | Total Cost of | Net Cost of |
| | <u>2020</u> | <u>2020</u> | <u>2019</u> | <u>2019</u> |
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 15,290,460 | \$ 14,452,883 | \$ 15,375,712 | \$ 14,603,613 |
| Special | 3,519,644 | 2,001,797 | 3,432,081 | 1,918,298 |
| Vocational | 229,811 | 194,020 | 225,417 | 189,668 |
| Adult/continuing | 10,660 | 10,660 | 11,994 | 11,994 |
| Other | 618,216 | 618,216 | 761,172 | 761,172 |
| Support services: | | | | |
| Pupil | 2,132,263 | 1,782,628 | 1,815,397 | 1,755,582 |
| Instructional staff | 523,219 | 451,570 | 500,476 | 439,554 |
| Board of education | 32,048 | 32,048 | 59,391 | 59,391 |
| Administration | 3,321,779 | 3,321,633 | 3,168,909 | 3,163,595 |
| Fiscal | 853,629 | 853,629 | 811,072 | 811,072 |
| Business | 78,883 | 15,854 | 116,588 | 44,375 |
| Operations and maintenance | 3,288,521 | 3,071,910 | 3,346,140 | 3,233,034 |
| Pupil transportation | 1,016,604 | 975,856 | 1,051,611 | 986,586 |
| Central | 842,856 | 709,279 | 871,979 | 735,625 |
| Operation of non instructional services: | | | | |
| Other non-instructional services | 486,676 | (153,530) | 638,484 | (120,789) |
| Food service operations | 756,117 | 139,122 | 814,177 | 35,022 |
| Extracurricular | 1,091,142 | 734,716 | 1,198,361 | 778,141 |
| Facilities acquisition and construction | 563,496 | 538,496 | 1,691,435 | 663,280 |
| Debt service: | | | | |
| Principal retirement | 759,995 | 759,995 | 1,895,000 | 1,895,000 |
| Interest and fiscal charges | 665,941 | 665,941 | 689,633 | 689,633 |
| Accreted interest on capital appreciation bonds | <u>1,165,005</u> | <u>1,165,005</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 37,246,965</u> | <u>\$ 32,341,728</u> | <u>\$ 38,475,029</u> | <u>\$ 32,653,846</u> |

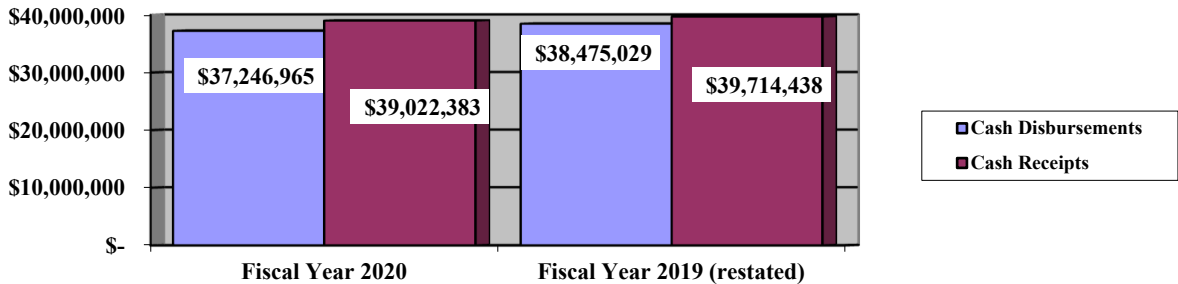
The dependence upon general cash receipts for governmental activities is apparent; with 86.83% of cash disbursements supported through taxes and other general cash receipts during 2020.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

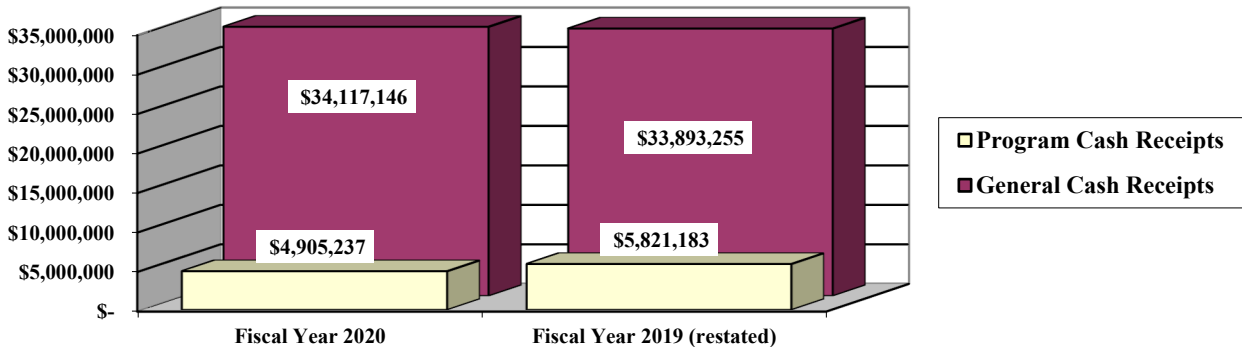
The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2020 and 2019. Amounts at June 30, 2019 has been restated due to the implementation of GASB Statement No. 84.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The graph below presents the District's governmental activities cash receipts for fiscal years 2020 and 2019. Amounts at June 30, 2019 have been restated due to the implementation of GASB Statement No. 84.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the modified cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$10,258,172, which is \$1,775,418 greater than last year's restated total of \$8,482,754. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and June 30, 2019, for all major and nonmajor governmental funds.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

| | <u>Fund Balance</u> <u>June 30, 2020</u> | <u>Restated</u> <u>Fund Balance</u> <u>June 30, 2019</u> | <u>Increase</u> <u>(Decrease)</u> |
|-----------------------------------|---|--|--------------------------------------|
| Major funds: | | | |
| General | \$ 7,014,720 | \$ 5,659,845 | \$ 1,354,875 |
| Debt service | 1,583,069 | 1,629,202 | (46,133) |
| Other nonmajor governmental funds | <u>1,660,383</u> | <u>1,193,707</u> | <u>466,676</u> |
| Total | <u>\$ 10,258,172</u> | <u>\$ 8,482,754</u> | <u>\$ 1,775,418</u> |

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$32,552,147 in 2020. The cash disbursements and other financing uses of the general fund, totaled \$31,197,272 in 2020. The general fund's fund balance increased \$1,354,875 from 2019 to 2020. Total general fund receipts increased 1.13%. Total general fund disbursements increased 0.53%

The table that follows assists in illustrating the cash receipts of the general fund.

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Taxes | \$ 22,351,602 | \$ 21,260,589 | 5.13 % |
| Tuition | 497,190 | 426,647 | 16.53 % |
| Earnings on investments | 106,849 | 95,469 | 11.92 % |
| Classroom materials and fees | 128,322 | 134,314 | (4.46) % |
| Intergovernmental | 9,066,096 | 9,849,630 | (7.95) % |
| Other revenues | <u>399,913</u> | <u>419,005</u> | (4.56) % |
| Total | <u>\$ 32,549,972</u> | <u>\$ 32,185,654</u> | 1.13 % |

The table that follows assists in illustrating the cash disbursements of the general fund.

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| Instruction | \$ 18,800,841 | \$ 18,835,783 | (0.19) % |
| Support services | 11,555,472 | 11,324,060 | 2.04 % |
| Operation of non instruction | 18,392 | 12,341 | 49.03 % |
| Extracurricular | <u>762,567</u> | <u>800,270</u> | (4.71) % |
| Total | <u>\$ 31,137,272</u> | <u>\$ 30,972,454</u> | 0.53 % |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Debt Service Fund

The debt service fund had cash receipts and other financing sources of \$2,574,142 in 2020. The cash disbursements of the debt service fund totaled \$2,620,275 in 2020. The fund balance of the debt service fund decreased \$46,133 from fiscal year 2019.

Budgeting Highlights - General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

The general fund original budgeted receipts and other financing sources were \$31,256,900, which were unchanged in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2020 were \$32,301,529. This represents a \$1,044,629 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$31,624,611 were unchanged in the final appropriations. The actual budget basis disbursements for fiscal year 2020 totaled \$31,377,416, which was \$247,195 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2020 and 2019.

| | Governmental Activities <u>2020</u> | Governmental Activities <u>2019</u> |
|-----------------------------|---|---|
| General obligation bonds | \$ 23,541,607 | \$ 24,999,729 |
| Tax anticipation note | <u>410,000</u> | <u>610,000</u> |
| Total long-term obligations | <u>\$ 23,951,607</u> | <u>\$ 25,609,729</u> |

See Note 7 to the basic financial statements for more detail on the District's long-term obligations.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Current Financial Related Activities

Traditionally the District has had a strong financial base and a somewhat stable revenue source. As the preceding information shows, the District relies heavily on property taxes and the State Foundation Program. The District's voters passed a 5.9 mill levy in May 2018, which should generate approximately \$2.4 million per year, but this does not shield it from the slow economic recovery on both the national and State level. Other factors affecting the District are the requirements of Federal and State regulations, including but not limited to, safety and security measures, the No Child Left Behind Act, 3rd grade reading guarantee, AYP, RTI and the Ohio Improvement Process.

Considering the external economic challenges, the District's financial outlook is somewhat solid for the next few years but wonders if it can continue to draw on the local taxpayers to foot the bill. The Board of Education and administration closely monitor its receipts and disbursements in accordance with its financial forecast. Despite the economic challenges, the District continues to perform at one of the highest levels determined by the State of Ohio.

The District communicates to its community that it relies upon their support for the major part of its operations, and will continue to diligently control expenses in an effort to stay within the District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to go to the voters periodically to ask for additional financial support.

A challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions by the Supreme Court have upheld this earlier decision. Since 1997, the State has directed its tax revenue growth toward school districts with little property wealth.

As a result, all of the District's abilities will be called upon to meet the challenges the future might bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the students' needs and the State's requirements over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Brotzki, Treasurer, Maumee City School District, 716 Askin Street, Maumee, Ohio 43537.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments. | \$ 10,258,172 |
| Net position: | |
| Restricted for: | |
| Capital projects | \$ 796,754 |
| Debt service. | 1,583,069 |
| Locally funded programs | 45,810 |
| State funded programs. | 389,800 |
| Federally funded programs | 1,379 |
| Student activities | 260,302 |
| Other purposes | 187,409 |
| Unrestricted | 6,993,649 |
| Total net position. | \$ 10,258,172 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Cash Disbursements | Program Cash Receipts | | | Net (Cash Disbursements) Cash Receipts and Changes In Net Position Governmental Activities |
|--|-----------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 15,290,460 | \$ 456,166 | \$ 381,411 | \$ - | \$ (14,452,883) |
| Special | 3,519,644 | 149,284 | 1,368,563 | - | (2,001,797) |
| Vocational | 229,811 | - | 35,791 | - | (194,020) |
| Adult/continuing. | 10,660 | - | - | - | (10,660) |
| Other | 618,216 | - | - | - | (618,216) |
| Support services: | | | | | |
| Pupil. | 2,132,263 | - | 349,635 | - | (1,782,628) |
| Instructional staff | 523,219 | 143 | 71,506 | - | (451,570) |
| Board of education | 32,048 | - | - | - | (32,048) |
| Administration. | 3,321,779 | - | 146 | - | (3,321,633) |
| Fiscal. | 853,629 | - | - | - | (853,629) |
| Business. | 78,883 | 53,387 | 9,642 | - | (15,854) |
| Operations and maintenance | 3,288,521 | 157,961 | 58,650 | - | (3,071,910) |
| Pupil transportation. | 1,016,604 | - | 40,748 | - | (975,856) |
| Central | 842,856 | - | 133,577 | - | (709,279) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 756,117 | 306,606 | 310,389 | - | (139,122) |
| Other non-instructional services | 486,676 | 26,636 | 613,570 | - | 153,530 |
| Extracurricular activities. | 1,091,142 | 352,408 | 4,018 | - | (734,716) |
| Facilities acquisition and construction. | 563,496 | - | - | 25,000 | (538,496) |
| Debt service: | | | | | |
| Principal retirement. | 759,995 | - | - | - | (759,995) |
| Interest and fiscal charges | 665,941 | - | - | - | (665,941) |
| Accreted interest on CABs. | 1,165,005 | - | - | - | (1,165,005) |
| Total governmental activities | <u>\$ 37,246,965</u> | <u>\$ 1,502,591</u> | <u>\$ 3,377,646</u> | <u>\$ 25,000</u> | <u>(32,341,728)</u> |

General cash receipts:

| | |
|--|----------------------|
| Property taxes levied for: | |
| General purposes | 22,351,602 |
| Debt service. | 1,923,428 |
| Capital outlay. | 1,041,058 |
| Grants and entitlements not restricted | |
| to specific programs | 8,599,644 |
| Investment earnings | 123,341 |
| Miscellaneous. | 78,073 |
| Total general cash receipts. | <u>34,117,146</u> |
| Change in net position | 1,775,418 |
| Net position at beginning of year (restated). | <u>8,482,754</u> |
| Net position at end of year | <u>\$ 10,258,172</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 7,014,720 | \$ 1,583,069 | \$ 1,660,383 | \$ 10,258,172 |
| Fund balances: | | | | |
| Restricted: | | | | |
| Debt service | \$ - | \$ 1,583,069 | \$ - | \$ 1,583,069 |
| Capital improvements | - | - | 796,754 | 796,754 |
| Non-public schools | - | - | 144,286 | 144,286 |
| Targeted academic assistance | - | - | 689 | 689 |
| Extracurricular. | - | - | 260,302 | 260,302 |
| Other purposes. | - | - | 479,423 | 479,423 |
| Committed: | | | | |
| Other purposes. | 11,000 | - | - | 11,000 |
| Assigned: | | | | |
| Student instruction | 39,186 | - | - | 39,186 |
| Student and staff support. | 401,095 | - | - | 401,095 |
| Extracurricular activities | 783 | - | - | 783 |
| Other purposes. | 435,114 | - | - | 435,114 |
| Unassigned (deficit) | 6,127,542 | - | (21,071) | 6,106,471 |
| Total fund balances | <u>\$ 7,014,720</u> | <u>\$ 1,583,069</u> | <u>\$ 1,660,383</u> | <u>\$ 10,258,172</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | General | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|--|---|
| Cash receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 22,351,602 | \$ 1,923,428 | \$ 1,041,058 | \$ 25,316,088 |
| Tuition | 497,190 | - | - | 497,190 |
| Earnings on investments | 106,849 | 16,492 | 2,604 | 125,945 |
| Charges for services | - | - | 275,165 | 275,165 |
| Extracurricular | 3,518 | - | 195,925 | 199,443 |
| Classroom materials and fees | 128,322 | - | - | 128,322 |
| Other local revenues | 396,395 | - | 361,065 | 757,460 |
| Intergovernmental - state | 9,066,096 | 423,308 | 850,763 | 10,340,167 |
| Intergovernmental - federal | - | - | 1,380,428 | 1,380,428 |
| Total cash receipts | <u>32,549,972</u> | <u>2,363,228</u> | <u>4,107,008</u> | <u>39,020,208</u> |
| Cash disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 14,932,402 | - | 358,058 | 15,290,460 |
| Special | 3,009,752 | - | 509,892 | 3,519,644 |
| Vocational | 229,811 | - | - | 229,811 |
| Adult/continuing | 10,660 | - | - | 10,660 |
| Other | 618,216 | - | - | 618,216 |
| Support services: | | | | |
| Pupil | 1,986,750 | - | 145,513 | 2,132,263 |
| Instructional staff | 449,590 | - | 73,629 | 523,219 |
| Board of education | 32,048 | - | - | 32,048 |
| Administration | 3,219,772 | - | 102,007 | 3,321,779 |
| Fiscal | 809,289 | 29,334 | 15,006 | 853,629 |
| Business | 78,883 | - | - | 78,883 |
| Operations and maintenance | 3,285,731 | - | 2,790 | 3,288,521 |
| Pupil transportation | 904,061 | - | 112,543 | 1,016,604 |
| Central | 789,348 | - | 53,508 | 842,856 |
| Operation of non-instructional services | | | | |
| Food service operations | - | - | 756,117 | 756,117 |
| Other non-instructional services | 18,392 | - | 468,284 | 486,676 |
| Extracurricular activities | 762,567 | - | 328,575 | 1,091,142 |
| Facilities acquisition and construction | - | - | 563,496 | 563,496 |
| Debt service: | | | | |
| Principal retirement | - | 759,995 | - | 759,995 |
| Interest and fiscal charges | - | 665,941 | - | 665,941 |
| Accreted interest on CABs | - | 1,165,005 | - | 1,165,005 |
| Total cash disbursements | <u>31,137,272</u> | <u>2,620,275</u> | <u>3,489,418</u> | <u>37,246,965</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | <u>1,412,700</u> | <u>(257,047)</u> | <u>617,590</u> | <u>1,773,243</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 2,175 | - | - | 2,175 |
| Transfers in | - | 210,914 | 60,000 | 270,914 |
| Transfers (out) | (60,000) | - | (210,914) | (270,914) |
| Total other financing sources (uses) | <u>(57,825)</u> | <u>210,914</u> | <u>(150,914)</u> | <u>2,175</u> |
| Net change in fund balances | 1,354,875 | (46,133) | 466,676 | 1,775,418 |
| Fund balances at beginning of year (restated) . | <u>5,659,845</u> | <u>1,629,202</u> | <u>1,193,707</u> | <u>8,482,754</u> |
| Fund balances at end of year | <u>\$ 7,014,720</u> | <u>\$ 1,583,069</u> | <u>\$ 1,660,383</u> | <u>\$ 10,258,172</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Budgetary basis receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 21,530,172 | \$ 21,530,172 | \$ 22,351,602 | \$ 821,430 |
| Tuition. | 478,918 | 478,918 | 497,190 | 18,272 |
| Earnings on investments | 102,922 | 102,922 | 106,849 | 3,927 |
| Classroom materials and fees | 42,337 | 42,337 | 43,952 | 1,615 |
| Other local revenues | 217,362 | 217,362 | 225,655 | 8,293 |
| Intergovernmental - state | 8,875,378 | 8,875,378 | 9,066,096 | 190,718 |
| Total budgetary basis receipts | <u>31,247,089</u> | <u>31,247,089</u> | <u>32,291,344</u> | <u>1,044,255</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 14,776,839 | 14,776,839 | 14,679,132 | 97,707 |
| Special. | 3,054,341 | 3,054,341 | 3,020,353 | 33,988 |
| Vocational. | 214,206 | 214,206 | 231,423 | (17,217) |
| Adult/continuing | 13,163 | 13,163 | 11,060 | 2,103 |
| Other. | 627,300 | 627,300 | 618,216 | 9,084 |
| Support services: | | | | |
| Pupil. | 2,104,939 | 2,104,939 | 1,994,013 | 110,926 |
| Instructional staff | 436,191 | 436,191 | 448,769 | (12,578) |
| Board of education | 43,693 | 43,693 | 32,048 | 11,645 |
| Administration. | 3,238,033 | 3,238,033 | 3,238,524 | (491) |
| Fiscal | 830,211 | 830,211 | 830,523 | (312) |
| Business | 36,558 | 36,558 | 34,189 | 2,369 |
| Operations and maintenance. | 3,511,541 | 3,511,541 | 3,456,226 | 55,315 |
| Pupil transportation | 927,026 | 927,026 | 932,987 | (5,961) |
| Central. | 757,648 | 757,648 | 777,566 | (19,918) |
| Other non-instructional services | 3,456 | 3,456 | 1,492 | 1,964 |
| Extracurricular activities. | 709,967 | 709,967 | 755,895 | (45,928) |
| Total budgetary basis disbursements | <u>31,285,112</u> | <u>31,285,112</u> | <u>31,062,416</u> | <u>222,696</u> |
| Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. | <u>(38,023)</u> | <u>(38,023)</u> | <u>1,228,928</u> | <u>1,266,951</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 7,716 | 7,716 | 8,010 | 294 |
| Transfers (out). | (339,145) | (339,145) | (315,000) | 24,145 |
| Advances (out) | (354) | (354) | - | 354 |
| Sale of capital assets | 2,095 | 2,095 | 2,175 | 80 |
| Total other financing sources (uses) | <u>(329,688)</u> | <u>(329,688)</u> | <u>(304,815)</u> | <u>24,873</u> |
| Net change in fund balance | (367,711) | (367,711) | 924,113 | 1,291,824 |
| Fund balance at beginning of year | 4,881,226 | 4,881,226 | 4,881,226 | - |
| Prior year encumbrances appropriated | 322,203 | 322,203 | 322,203 | - |
| Fund balance at end of year | <u>\$ 4,835,718</u> | <u>\$ 4,835,718</u> | <u>\$ 6,127,542</u> | <u>\$ 1,291,824</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Maumee City School District (the District) is located in central Lucas County in northwest Ohio, encompassing most of the City of Maumee and parts of the City of Toledo.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school.

The District employs 19 administrators, 126 non-certified and 186 certified full-time and part-time employees to provide services to approximately 2,328 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these modified cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$94,779. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to the Center during fiscal year 2020. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Lucas, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member Boards of Education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an assembly consisting of a representative from each participating school district. Financial information can be obtained from the North Point Education Service Center, which serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOL

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program

The District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the LFP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. With the exception of investments, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary or fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects.

D. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present budgetary statement comparisons at the fund and function level of disbursements. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2020.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements may not exceed the appropriation totals at the fund level which is the legal level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2020, investments were limited to negotiable certificates of deposit, commercial paper, a U.S. Government money market fund, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost.

The District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$106,849, which includes \$27,970 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the modified cash basis of accounting. Depreciation has not been reported for any capital assets.

I. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting.

J. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net position restricted for other purposes consists of funds restricted for scholarship programs.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Parochial Schools

Within the District boundaries, St. Joseph's School and St. Patrick School are operated by the Toledo Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The receipt and disbursement of these State monies by the District are reflected as special revenue funds for financial reporting purposes.

O. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - modified cash basis and the statement of activities - modified cash basis.

P. Stabilization Arrangement

The Board of Education has \$315,183 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

Q. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

R. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by enabling legislation. The District reports no restricted assets.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds or private-purpose trust funds. The District reviewed its fiduciary funds and certain funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No. 84. The June 30, 2019, fund cash balances have been restated as follows:

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|---|---|
| Fund cash balance | | | | |
| previously reported | \$ 5,659,845 | \$ 1,629,202 | \$ 1,003,260 | \$ 8,292,307 |
| GASB Statement No. 84 | <u>-</u> | <u>-</u> | <u>190,447</u> | <u>190,447</u> |
| Restated fund cash balance at June 30, 2019 | <u>\$ 5,659,845</u> | <u>\$ 1,629,202</u> | <u>\$ 1,193,707</u> | <u>\$ 8,482,754</u> |

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities and business-type activities at June 30, 2019 have been restated as follows:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Net cash position | |
| as previously reported | \$ 8,292,307 |
| GASB Statement No. 84 | <u>190,447</u> |
| Restated net cash position at June 30, 2019 | <u>\$ 8,482,754</u> |

Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds and private-purpose trust funds. At June 30, 2019, agency funds and private-purpose trust funds reported assets and net cash position of \$33,259 and \$157,188, respectively.

B. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficit:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------|----------------|
| Food service fund | \$ 21,071 |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Contrary to Ohio law, intergovernmental revenue activity was incorrectly recorded in the General Fund instead of a Special Revenue Fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$9,090 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$3,606,597. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, \$3,892,304 of the District's bank balance of \$4,392,304 was exposed to custodial credit risk as discussed below, while \$500,000 was covered by the FDIC.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District's financial institutions were approved for a reduced collateral rate through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2020, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Carrying value</u> | <u>Investment Maturities</u> | | | | |
|-----------------------------------|-----------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| Negotiable CD's | \$ 2,689,835 | \$ 218,928 | \$ 601,220 | \$ 411,574 | \$ 247,983 | \$ 1,210,130 |
| Commercial paper | 1,028,447 | 1,028,447 | - | - | - | - |
| U.S. Government money market fund | 267,908 | 267,908 | - | - | - | - |
| STAR Ohio | 2,656,295 | 2,656,295 | - | - | - | - |
| Total | <u>\$ 6,642,485</u> | <u>\$ 4,171,578</u> | <u>\$ 601,220</u> | <u>\$ 411,574</u> | <u>\$ 247,983</u> | <u>\$ 1,210,130</u> |

The weighted average maturity of investments is 0.72 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S. Government money market fund carry a rating of AAAM by Standard & Poor's. The District's investment in commercial paper was rated A-1 by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in negotiable CDs were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The commercial paper is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District's investments in negotiable CDs are insured by the FDIC. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|--------------------------------------|---------------------------|-------------------|
| Negotiable CD's | \$ 2,689,835 | 40.50 |
| Commercial paper | 1,028,447 | 15.48 |
| U.S. Government money market fund | 267,908 | 4.03 |
| STAR Ohio | <u>2,656,295</u> | <u>39.99</u> |
| Total | <u>\$ 6,642,485</u> | <u>100.00</u> |

D. Reconciliation of Cash and Investments to the Statement of Net Position - Modified Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position - modified cash basis as of June 30, 2020:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 3,606,597 |
| Investments | 6,642,485 |
| Cash on hand | <u>9,090</u> |
| Total | <u>\$ 10,258,172</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | <u>\$ 10,258,172</u> |

NOTE 5 - INTERFUND TRANSACTIONS

During fiscal year 2020, the permanent improvement fund, a nonmajor governmental fund, transferred \$210,914 to the debt service fund for the payment of principal and interest on the 2017 permanent improvement tax anticipation notes. The general fund transferred \$60,000 to the food service fund, a nonmajor governmental fund, to cover food service operations affected by the outbreak of COVID-19.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

| | 2019 Second Half Collections | | 2020 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 433,690,630 | 96.93 | \$ 434,988,430 | 96.71 |
| Public utility personal | <u>13,741,280</u> | <u>3.07</u> | <u>14,806,540</u> | <u>3.29</u> |
| Total | <u>\$ 447,431,910</u> | <u>100.00</u> | <u>\$ 449,794,970</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 93.95 | | \$ 93.95 | |

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**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2020, the following activity occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>06/30/19</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>06/30/20</u> | Amounts Due in <u>One Year</u> |
|--|---|-------------------|-----------------------|---|--------------------------------------|
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| Series 2011 refunding bonds | | | | | |
| Current interest bonds | \$ 4,625,000 | \$ - | \$ - | \$ 4,625,000 | \$ 1,505,000 |
| Capital appreciation bonds | 339,995 | - | (339,995) | - | - |
| Accreted interest | 1,030,263 | 134,742 | (1,165,005) | - | - |
| Series 2012 refunding bonds | | | | | |
| Current interest bonds | 8,130,000 | - | (100,000) | 8,030,000 | 100,000 |
| Capital appreciation bonds | 134,968 | - | - | 134,968 | - |
| Accreted interest | 419,909 | 118,975 | - | 538,884 | - |
| Series 2013A - current interest | 780,000 | - | (80,000) | 700,000 | 80,000 |
| Series 2013B refunding bonds | | | | | |
| Current interest bonds | 7,910,000 | - | (40,000) | 7,870,000 | 45,000 |
| Capital appreciation bonds | 4,766 | - | - | 4,766 | - |
| Accreted interest | 29,828 | 13,161 | - | 42,989 | - |
| Series 2013C refunding bonds | | | | | |
| Current interest bonds | <u>1,595,000</u> | <u>-</u> | <u>-</u> | <u>1,595,000</u> | <u>-</u> |
| Total general obligation bonds payable | <u>24,999,729</u> | <u>266,878</u> | <u>(1,725,000)</u> | <u>23,541,607</u> | <u>1,730,000</u> |
| <u>Other long-term obligations:</u> | | | | | |
| Tax anticipation note - 2017 | <u>610,000</u> | <u>-</u> | <u>(200,000)</u> | <u>410,000</u> | <u>205,000</u> |
| Total long-term obligations governmental activities | <u>\$ 25,609,729</u> | <u>\$ 266,878</u> | <u>\$ (1,925,000)</u> | <u>\$ 23,951,607</u> | <u>\$ 1,935,000</u> |

General obligation bonds - series 2003: On August 1, 2003, the District issued \$42,000,000 in school facilities construction and improvement general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The bonds have a scheduled maturity date of December 1, 2031. Interest payments on the bonds are due on June 1 and December 1 of each year. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund. On December 28, 2011, the District issued \$8,984,995 (series 2011 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. On February 23, 2012, the District issued \$8,999,968 (series 2012 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. On April 11, 2013, the District issued \$8,274,766 (series 2013B advance refunding general obligation bonds) and \$4,895,000 (series 2013C advance refunding general obligation bonds), respectively, to advance refund the callable portion of the series 2003 bonds.

The proceeds of the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2020, \$23,610,000 of this debt was still outstanding.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

Series 2011 advance refunding general obligation bonds: On December 28, 2011, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2020, the refunding issue is comprised of both current interest bonds, par value \$8,645,000, and capital appreciation bonds, par value \$339,995. The interest rate on the current interest bonds ranges from 2.00-2.50%. The capital appreciation bonds matured on December 1, 2019 (approximate initial offering yield to maturity 2.44%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$1,505,000.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2022. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2012 advance refunding general obligation bonds: On February 23, 2012, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2020, the refunding issue is comprised of both current interest bonds, par value \$8,865,000, and capital appreciation bonds, par value \$134,968. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2023 (approximate initial offering yield to maturity 3.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,330,000. Total accreted interest of \$538,884 has been included in the long-term obligations.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2027. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

General obligation bonds - series 2013A: On April 11, 2013, the District issued \$1,200,000 in various purpose general obligation bonds to provide funds for renovating and improving existing District facilities; and acquiring fixed and movable equipment for school purposes, including buses and other vehicles. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The interest rate on the bonds ranges from 2.00%-2.625%. The bonds have a scheduled maturity date of December 1, 2027. Interest payments on the bonds are due on June 1 and December 1 of each year. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2013B advance refunding general obligation bonds: On April 11, 2013, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2020, the refunding issue is comprised of both current interest bonds, par value \$8,270,000, and capital appreciation bonds, par value \$4,766. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2028 (approximate initial offering yield to maturity 3.35%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$740,000. Total accreted interest of \$42,989 has been included in the long-term obligations.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2031. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2013C advance refunding general obligation bonds: On April 11, 2013, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2020, the refunding issue is comprised of current interest bonds, par value \$4,895,000. The interest rate on the current interest bonds ranges from 0.50-5.00%.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2029. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2017 permanent improvement levy tax anticipation notes: On February 1, 2017, the District issued \$1,000,000 in notes in anticipation of the collection of the proceeds of the 1.9 mill continuing permanent improvement levy approved by electors of the District on November 4, 2014. The notes bear an interest rate of 2.14% and mature on December 1, 2021. Payments of principal and interest relating to the notes are recorded as disbursements in the debt service fund.

The following is a schedule of future debt service requirements for the general obligation bonds:

| Fiscal Year Ended | 2011 Advance Refunding Bonds | | | 2012 Advance Refunding Bonds | | |
|----------------------|------------------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| | Current Interest Bonds | | | Capital Appreciation Bonds | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 1,505,000 | \$ 91,082 | \$ 1,596,082 | \$ - | \$ - | \$ - |
| 2022 | 1,540,000 | 56,825 | 1,596,825 | - | - | - |
| 2023 | 1,580,000 | 19,750 | 1,599,750 | - | - | - |
| Total | <u>\$ 4,625,000</u> | <u>\$ 167,657</u> | <u>\$ 4,792,657</u> | | | |
| 2021 | \$ 100,000 | \$ 237,193 | \$ 337,193 | \$ - | \$ - | \$ - |
| 2022 | 105,000 | 235,078 | 340,078 | - | - | - |
| 2023 | 105,000 | 232,781 | 337,781 | - | - | - |
| 2024 | 500,000 | 224,100 | 724,100 | 134,968 | 1,195,032 | 1,330,000 |
| 2025 | 1,845,000 | 188,925 | 2,033,925 | - | - | - |
| 2026 - 2028 | 5,375,000 | 230,025 | 5,605,025 | - | - | - |
| Total | <u>\$ 8,030,000</u> | <u>\$ 1,348,102</u> | <u>\$ 9,378,102</u> | <u>\$ 134,968</u> | <u>\$ 1,195,032</u> | <u>\$ 1,330,000</u> |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

| Fiscal Year Ended | 2013A General Obligation Bonds | | | 2013C Advance Refunding Bonds | | |
|----------------------|--------------------------------|------------------|-------------------|-------------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 80,000 | \$ 16,250 | \$ 96,250 | \$ - | \$ 55,950 | \$ 55,950 |
| 2022 | 80,000 | 14,650 | 94,650 | - | 55,950 | 55,950 |
| 2023 | 85,000 | 12,787 | 97,787 | - | 55,950 | 55,950 |
| 2024 | 85,000 | 10,663 | 95,663 | - | 55,950 | 55,950 |
| 2025 | 90,000 | 8,475 | 98,475 | - | 55,950 | 55,950 |
| 2026 - 2030 | 280,000 | 11,156 | 291,156 | 1,595,000 | 200,325 | 1,795,325 |
| Total | <u>\$ 700,000</u> | <u>\$ 73,981</u> | <u>\$ 773,981</u> | <u>\$ 1,595,000</u> | <u>\$ 480,075</u> | <u>\$ 2,075,075</u> |

| Fiscal Year Ended | 2013B Advance Refunding Bonds | | | | | |
|----------------------|-------------------------------|---------------------|----------------------|----------------------------|-------------------|-------------------|
| | Current Interest Bonds | | | Capital Appreciation Bonds | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 45,000 | \$ 233,575 | \$ 278,575 | \$ - | \$ - | \$ - |
| 2022 | 45,000 | 232,675 | 277,675 | - | - | - |
| 2023 | 45,000 | 231,663 | 276,663 | - | - | - |
| 2024 | 45,000 | 230,537 | 275,537 | - | - | - |
| 2025 | 45,000 | 229,413 | 274,413 | - | - | - |
| 2026 - 2030 | 2,815,000 | 1,060,225 | 3,875,225 | 4,766 | 735,234 | 740,000 |
| 2031 - 2032 | 4,830,000 | 145,950 | 4,975,950 | - | - | - |
| Total | <u>\$ 7,870,000</u> | <u>\$ 2,364,038</u> | <u>\$ 10,234,038</u> | <u>\$ 4,766</u> | <u>\$ 735,234</u> | <u>\$ 740,000</u> |

| Fiscal Year Ended | 2017 Tax Anticipation Notes | | |
|----------------------|-----------------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2021 | \$ 205,000 | \$ 6,580 | \$ 211,580 |
| 2022 | 205,000 | 2,194 | 207,194 |
| Total | <u>\$ 410,000</u> | <u>\$ 8,774</u> | <u>\$ 418,774</u> |

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$19,104,882 and an unvoted debt margin of \$449,795.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% coinsured, to a limit of \$134,091,885.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District has liability insurance coverage limits of \$2,000,000 per claim and \$5,000,000 annual aggregate.

The District offers group medical and dental insurance to all employees. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2019.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit; or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District’s contractually required contribution to SERS was \$567,716 for fiscal year 2020.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,286,331 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.13203900% | 0.13851566% | |
| Proportion of the net pension liability current measurement date | <u>0.12499170%</u> | <u>0.13482563%</u> | |
| Change in proportionate share | <u>-0.00704730%</u> | <u>-0.00369003%</u> | |
| Proportionate share of the net pension liability | \$ 7,478,473 | \$ 29,815,878 | \$ 37,294,351 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

| | |
|--|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|--------------|
| District's proportionate share of the net pension liability | \$ 10,480,014 | \$ 7,478,473 | \$ 4,961,305 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

| | July 1, 2019 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|---------------|
| District's proportionate share of the net pension liability | \$ 43,572,584 | \$ 29,815,878 | \$ 18,170,122 |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$76,153.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$76,153 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.13360700% | 0.13851566% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.12770860%</u> | <u>0.13482563%</u> | |
| Change in proportionate share | <u>-0.00589840%</u> | <u>-0.00369003%</u> | |
| Proportionate share of the net OPEB liability | \$ 3,211,603 | \$ - | \$ 3,211,603 |
| Proportionate share of the net OPEB asset | \$ - | \$ 2,233,036 | \$ 2,233,036 |

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.13% |
| Prior measurement date | 3.62% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.22% |
| Prior measurement date | 3.70% |
| Medical trend assumption: | |
| Measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |
| Prior measurement date | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | 100.00 % | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---|--------------------------|--------------|
| | District's proportionate share of the net OPEB liability | \$ 3,898,277 | \$ 3,211,603 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|---|-----------------------|--------------|
| | District's proportionate share of the net OPEB liability | \$ 2,573,144 | \$ 3,211,603 |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

| | July 1, 2019 | | July 1, 2018 | |
|--------------------------------------|---|----------|---|----------|
| | Initial | Ultimate | Initial | Ultimate |
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discounted rate of return | 7.45% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| Medical | | | | |
| Pre-Medicare | 5.87% | 4.00% | 6.00% | 4.00% |
| Medicare | 4.93% | 4.00% | 5.00% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 7.73% | 4.00% | 8.00% | 4.00% |
| Medicare | 9.62% | 4.00% | -5.23% | 4.00% |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|--------------------------|--------------|
| | District's proportionate share of the net OPEB asset | \$ 1,905,452 | \$ 2,233,036 |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 2,532,160 | \$ 2,233,036 | \$ 1,866,681 |

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement:

Net Change in Fund Balance

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Modified cash basis | \$ 1,354,875 |
| Funds budgeted elsewhere** | (172,251) |
| Adjustment for encumbrances | (258,511) |
| Budget basis | \$ 924,113 |

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund. This includes the special trust fund, uniform school supplies fund, public school support fund, adult education fund, the safety review fund, the special enterprise fund, the special levy fund, the underground storage tank fund and the EMIS fund.

NOTE 12 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with the minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end.

The District’s September 18 and November 27, 2020 foundation settlement receipts included the FTE adjustments for fiscal year 2020. The September 18, 2020 adjustment was an increase of \$332. The November 27, 2020 adjustment was an increase of \$29,801. These amounts are not recorded on the cash basis of accounting.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - CONTINGENCIES - (Continued)

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 13 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General fund | \$ 326,554 |
| Nonmajor governmental | <u>927,864</u> |
| Total | <u>\$ 1,254,418</u> |

NOTE 14 - STATUTORY RESERVES

The District is required by State law to annually set-aside certain general fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following modified cash basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - STATUTORY RESERVES - (Continued)

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2019 | \$ - |
| Current year set-aside requirement | 415,786 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying disbursements | (319,952) |
| Excess qualified disbursements from prior years | - |
| Current year offsets | (1,086,300) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (990,466)</u> |
| Balance carried forward to fiscal year 2021 | <u>\$ -</u> |
| Set-aside balance June 30, 2020 | <u>\$ -</u> |

NOTE 15 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Maumee has entered into such an agreement. Under this agreement, the District’s property taxes were reduced by approximately \$87,941. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

NOTE 16 - SUBSEQUENT EVENT

On May 18, 2020, the Board of Education authorized by resolution the issuance of \$8,480,000 of refunding bonds dated for July 15, 2020. The bonds are being used to refund portions of the previous bond issuances made for the construction of new school facilities and for additions, upgrades and renovations to existing school facilities.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program | 10.553 | 3L70 | \$ 54,138 |
| COVID-19 School Breakfast Program | 10.553 | 3L70 | 13,645 |
| Total School Breakfast Program | | | <u>67,783</u> |
| | | | |
| National School Lunch Program | | | |
| Cash Assistance | 10.555 | 3L60 | 204,327 |
| COVID-19 Cash Assistance | 10.555 | 3L60 | 31,878 |
| Non-Cash Assistance (Food Distribution) | 10.555 | 3L60 | 42,072 |
| Total National School Lunch Program | | | <u>278,277</u> |
| | | | |
| Total Child Nutrition Cluster | | | <u>346,060</u> |
| Total U.S. Department of Agriculture | | | <u>346,060</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies - FY19 | 84.010 | 3M00 | 45,316 |
| Title I Grants to Local Educational Agencies - FY20 | 84.010 | 3M00 | 363,241 |
| Total Title I Grants to Local Educational Agencies | | | <u>408,557</u> |
| <u>Special Education Cluster:</u> | | | |
| Special Education_Grants to States (IDEA, Part B) - FY19 | 84.027 | 3M20 | 55,710 |
| Special Education_Grants to States (IDEA, Part B) - FY20 | 84.027 | 3M20 | 486,481 |
| Total Special Education_Grants to States | | | <u>542,191</u> |
| | | | |
| Special Education_Preschool Grants - FY20 | 84.173 | | <u>2,282</u> |
| Total Special Education Cluster | | | 544,473 |
| | | | |
| Improving Teacher Quality State Grants - FY19 | 84.367 | 3Y60 | 73,367 |
| Improving Teacher Quality State Grants - FY20 | 84.367 | 3Y60 | 10,786 |
| Total Improving Teacher Quality State Grant | | | <u>84,153</u> |
| | | | |
| Student Support and Academic Enrichment Programs - FY19 | 84.424 | 3H10 | 21,155 |
| Student Support and Academic Enrichment Programs - FY20 | 84.424 | 3H10 | 12,938 |
| Total Student Support and Academic Enrichment Programs | | | <u>34,093</u> |
| Total U.S. Department of Education | | | <u>1,071,276</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,417,336</u> |

The accompanying notes are an integral part of this schedule.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Maumee City School District, Lucas County, Ohio (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amt. Transferred</u> |
|--|-------------------------------|--------------------------------|
| Special Education - Grants to States | 84.027 | \$ 18,145 |
| Title I Grants to Local Educational Agencies | 84.010 | \$ 23,060 |
| Improving Teacher Quality State Grant | 84.367 | \$ 4,298 |
| Student Support and Academic Enrichment | 84.424 | \$ 16,012 |

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Maumee City School District
Lucas County
716 Askin Street
Maumee, Ohio 43537-3602

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maumee City School District, Lucas County, Ohio (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2021 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001 and 2020-002.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 29, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Maumee City School District
Lucas County
716 Askin Street
Maumee, Ohio 43537-3602

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Maumee City School District, Lucas County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Maumee City School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Maumee City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of each major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 29, 2021

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster Title I Grants to Local Educational Agencies – CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

FINDING NUMBER 2020-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District inappropriately recorded \$147,900 of intergovernmental revenue in the General Fund. Given the source of the revenue, this should have been recorded in the Student Success and Wellness Fund (Special Revenue Fund). Audit adjustments are reflected in the financial statements and in the accounting records correcting this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

See Corrective Action Plan.

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None



**Administration Office
& Board of Education**

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Paul E. Brotzki, Treasurer

Board of Education
Stephanie Piechowiak, President
Janet Wolff, Vice President
Diane Balcerzak
Jennifer Campos
Mike Wiley

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2020**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|--|---|
| 2019-001 | Finding was first issued in 2012 audit. Noncompliance with Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for failure to prepare GAAP financial statements. | Not corrected and repeated as Finding 2020-001 in this report. | The District prepared <i>GASB 34 Look-Alike-Statements</i> pursuant to a cost-benefit analysis. See Corrective Action Plan. |



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**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020**

| | |
|-------------------------------------|---|
| Finding Number: | 2020-001 |
| Planned Corrective Action: | The Board of Education believes the decision to prepare modified cash basis financial statements is in the best interest of the District. The Board has evaluated the cost benefit relationship of preparing Generally Accepted Accounting Principles (GAAP) statements for the fiscal year ended June 30, 2020 and determined that the significant cost of compliance exceeds the benefits received. |
| Anticipated Completion Date: | N/A |
| Responsible Contact Person: | Paul Brotzki, Treasurer |
| Finding Number: | 2020-002 |
| Planned Corrective Action: | The District will continue their diligent monitoring policies and procedures. |
| Anticipated Completion Date: | N/A |
| Responsible Contact Person: | Paul Brotzki, Treasurer |

OHIO AUDITOR OF STATE KEITH FABER



MAUMEE CITY SCHOOL DISTRICT

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/13/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov